

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 COME-00
PM-05 H-01 INR-10 L-03 PA-01 SP-02 SS-15 AID-05
TRSE-00 STR-07 OMB-01 CEA-01 CTME-00 ITC-01
AGRE-00 /083 W
-----084037 221431Z /41

O R 221257Z MAR 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 7349
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMCONSUL IBADAN
AMCONSUL KADUNA

C O N F I D E N T I A L SECTION 1 OF 2 LAGOS 3657

E.O. 11652: GDS
TAGS: ETRD, BEXP, NI
SUBJECT: DRASTIC NEW NIGERIAN IMPORT RESTRICTIONS PROPOSED

1. EMBASSY HAS OBTAINED CONFIDENTIAL REPORT WRITTEN BY CUSTOMS OFFICE AND MINISTRY OF TRADE RECOMMENDING IMPORT RESTRICTIONS FOR FISCAL YEAR BEGINNING APRIL 1. HIGHLY CLASSIFIED REPORT MUST YET RECEIVE FINAL APPROVAL BY SMC. ITS FULL TEXT WILL BE PRINTED IN THE OFFICIAL GAZETTE OF APRIL 3 BUT ITS THEMES WILL BE REFLECTED IN OBSANJO'S ANNUAL BUDGET SPEECH ON THE EVENING OF MARCH 31. REPORT CONFIRMS PREDICTIONS THAT NIGERIA'S IMPORTS WILL BE SHARPLY CURTAILED. THE PRINCIPAL DAMAGE TO U.S. EXPORTS WILL BE VIRTUAL CUT-OFF OF RICE SALES. ALSO HURT WILL BE CAR MANUFACTURERS. GENERAL MOTORS, FOR EXAMPLE, HAD JUST SET UP A NETWORK OF 13 DEALERS AND HAD HIGH HOPES FOR ITS CHEVETTE.

2. PROHIBITION OR BANNING OF GOODS WILL TAKE EFFECT ON BILLS OF LADING DATED AFTER MARCH 31. NEW DUTIES WILL BE IMPLEMENTED ON
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GOODS ARRIVING IN NIGERIA FROM APRIL 1 REGARDLESS OF DATE OF BILL OF LADING.

3. A SAMPLING OF AFFECTED PRODUCTS FOLLOWS:

A. RICE - AS OF APRIL 1 WILL NEED IMPORT LICENSE. FMG SOURCES INDICATE THAT NO LICENSES WILL BE GRANTED FOR SIX MONTHS. DUTY

ON RICE WILL RISE FROM CURRENT 10 PERCENT CF TO 40 PERCENT. PRICE OF RICE IN LAGOS HAS RISEN APPROXIMATELY 50 PERCENT IN THE LAST TWO DAYS. CURTAILMENT OF RICE IMPORTS WILL HURT AMERICAN GROWERS AND ALSO DELTA LINES WHICH CARRIES LARGE AMOUNT OF RICE FROM U.S. GULF PORTS. U.S. RICE EXPORTS TO NIGERIA IN 1977 WERE 157,980 TONS WORTH DOLS 82.76 MILLION.

B. CHILLED AND FROZEN MEAT, INCLUDING POULTRY, WILL REQUIRE LICENSES

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C. CANNED MEAT WILL NOT REQUIRE LICENSE BUT WILL PAY 100 PERCENT DUTY.

D. CORN PLACE ON LICENSE. DUTY WILL INCREASE TO 40 PERCENT FROM TEN PERCENT. IN 1977 WE EXPORTED 53,379 TONS WORTH DOLS 6.14 MILLION. PERSISTENT SHORTAGE OF CORN FOR CHICKEN FEED HAS LONG BEEN MAJOR CAUSE OF HIGH PRICE OF EGGS (DOLS 3.25 PER DOZEN) AND POULTRY.

E. FISH, FROZEN AND CANNED - DUTY WILL RISE FROM 0 PERCENT TO TWENTY PERCENT AND LICENSES MAY BE APPLIED.

F. DAIRY PRODUCTS - DUTIES ON BUTTER AND CHEESE WILL RISE FROM THIRTY KOBO TO 50 KOBO PER KILO; MILK WILL GO FROM 0 PERCENT TO TEN PERCENT DUTY.

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G. TOMATO PASTE - DUTY WILL RISE FROM 30 PERCENT TO 75 PERCENT.

H. BREAKFAST CEREALS PROHIBITED.

I. SUGAR - DUTIES UP TO 10 KOBO PER KILO FROM 2 KOBO.

J. FRESH FRUITS AND VEGETABLES - BAN WILL CONTINUE.

K. VEHICLES - ALL AUTOMOBILES WILL BE PROHIBITED; MOTORCYCLES WILL BE PLACED ON LICENSE; TRUCKS WILL PROBABLY BE PLACED ON LICENSE.

L. FOOTWEAR PROHIBITEDQX

M. READY-MADE CLOTHING PROHIBITED.

N. IMITATION JEWELRY PROHIBITED.

O. FURNITURE AND C*RPETS PREVIOUSLY UNDER LICENSE. THEY WILL NOW BE PROHIBITED.

P. COSMETICS - DUTY WILL RISE TO 200 PERCENT FROM 100 PERCENT.

Q. GALVANIZED AND PLASTIC PIPE WILL BE LICENSED.

R. ELECTRONIC GOODS (CASSETTES, TV'S, RADIOS, ETC.) WILL BE LICENSED AND DUTY RAISED TO 75 PERCENT FROM 40 PERCENT.

S. ELECTRIC FANS - DUTY TO 75 PERCENT FROM 40 PERCENT.

T. GENERATORS - DUTIES TO 50 PERCENT FROM 10 PERCENT. (THE PRESENT POWER SHORTAGES MAKE GENERATORS VERY HOT ITEMS).

U. KEROSENE STOVES - DUTY OF 66 PERCENT FROM 25 PERCENT.

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TRSE-00 STR-07 OMB-01 CEA-01 CTME-00 ITC-01
AGRE-00 /083 W

-----084072 221430Z /43

O R 221257Z MAR 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 7350
INFO AMEMBASSY BONN
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C O N F I D E N T I A L SECTION 2 OF 2 LAGOS 3657

4. AMONG THOSE ITEMS WHOSE IMPORT CONDITIONS WILL NOT CHANGE ARE REFRIGERATORS, GLASSWEAR, CHINA, WATCHES AND SANITARY WEAR. SPARE PARTS FOR MACHINERY AND VEHICLES AND AGRICULTURAL IMPLEMENTS WILL ALSO STAY THE SAME.

5. IMPORT DUTIES ON CIGARETTES, TOBACCO AND TEA WILL BE RAISED SLIGHTLY BUT PERCENTAGE IS NOT YET PRECISE.

6. FMG WILL ALSO RAISE EXCISE TAXES. ITEMS PRINCIPALLY AFFECTED ARE SOFT DRINKS AND FOOTWEAR.

7. EMBASSY HAS ALSO LEARNED THAT MINISTRY OF FINANCE AND CENTRAL

BANK INPUTS TO FY 79 BUDGET FOR LULUATION CALL FOR BANKS TO CUT
LENDING TO IMPORT SECTOR BY 30 PERCENT. DIVERTED FUNDS WILL BE

APPLIED TO AGRICULTURAL SECTOR. BANKS WILL ALSO BE ASKED TO RAISE
DEPOSITS WITH CENTRAL BANK. AFFECTING FOREIGN BUSINESSMEN RESIDENT
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IN NIGERIA IS A RECOMMENDATION CALLING FOR A REDUCTION IN AMOUNT
OF NAIRA THAT CAN BE CONVERTED IN FOREIGN CURRENCY AND SENT HOME.
UP TO NOW 50 PERCENT OF ONE'S GROSS SALARY CAN BE CONVERTED AND
REPATRIATED. THE PROPOSED NEW REGULATION WILL APPLY THE 50 PERCENT
TO INCOME AFTER TAXES.

8. COMMENT: AS REPORTED EARLIER BY EMBASSY, NEW RESTRICTIVE
STANCE TO SAVE FOREIGN EXCHANGE HAS LONG BEEN EXPECTED. ITS
SEVERITY, HOWEVER, EXCEEDS PREDICTIONS. IMPORTERS HAVE BEEN
SCRAMBLING MADLY TO PREPAY DUTIES, DEPLETING COMPANY TREASURIES
IN SUCH A WAY THAT THEY ARE UNABLE TO PAY BILLS TO SUPPLIERS.
ALSO ALREADY EVIDENT IS PRONOUNCED SWING OF TRADING COMPANIES TO
MANUFACTURING. ONE PROMINENT OLD-LINE TRADING COMPANY, FOR EXAMPLE,
HAS NOW ENTERED INTO SIX NEW FACTORIES (BISCUITS AND CRACKERS;
SHEETS, TOWELS AND BLANKETS; SOFT DRINKS; TEXTILE CLOTH; FOOTWEAR;
PLASTIC MATS) BRINGING MONEY FROM ABROAD TO MAKE THE INVESTMENT.
OVERALL EFFECT OF NEW REGULATIONS WILL BE SPURRING OF INFLATION
AND LOWERING OF LIFESTYLE OF CONSUMERS THROUGH INDUCED SHORTAGES.
PREVIOUS IMPORT RESTRICTIONS HAVE CAUSED OR CONTRIBUTED TO SEVERE
SHORTAGES OF FRESH AND CANNED FOODS, SOFT DRINKS, BEER AND SALT.
PRICE CONTROLS COMBINED WITH UNFORESEEN POWER SHORTAGES HAVE CAUSED
FLOUR AND BREAD SHORTAGES. EXPATRIATES ALREADY UNHAPPY WITH
QUALITY OF LIFE AND WILL BE DIRECTLY AFFECTED BY NEW FOOD RESTRIC-
TIONS WILL BRING AGAINST FMG WHOSE ADMINISTRATION IS INCREASINGLY
BEING CRITICIZED FOR INEPT HANDLING OF THE ECONOMY. IN A PRE-
ELECTION YEAR, FEELINGS COULD RUN HIGH.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS03657
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780126-0381
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780338/aaaabfzg.tel
Line Count: 208
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8365c1bf-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3241419
Secure: OPEN
Status: NATIVE
Subject: DRASTIC NEW NIGERIAN IMPORT RESTRICTIONS PROPOSED
TAGS: ETRD, BEXP, NI
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/8365c1bf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014